

Message Text

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ACTION NEA-10

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TO SECSTATE WASHDC 3606

UNCLAS SECTION 1 OF 2 CAIRO 05769

FOR NEA/EGY

E.O. 11652: N/A
TAGS: EAID, EAGR, US, EG
SUBJECT: SENATE REQUEST FOR PL-480 TITLES I AND II DISTRIBUTION
REPORT

REFS: (A) STATE 57308 (B) CAIRO 5215

1. FOLLOWING IS THE REPORT REQUESTED IN REFTEL (A) FOR
SENATOR HUMPHREY:

(A) FOOD SITUATION IN EGYPT: ALTHOUGH EGYPT IS A MAJOR
AGRICULTURAL PRODUCER AND APPROXIMATELY HALF THE POPULATION
IS ENGAGED IN AGRICULTURE, THE COUNTRY IS NOT SELF-SUFFICIENT
IN FOOD PRODUCTION. THE ECONOMIC RESEARCH SERVICE OF THE
U.S. DEPARTMENT OF AGRICULTURE ESTIMATED THAT EGYPT WAS
ONLY 73 PERCENT SELF-SUFFICIENT ON A CALORIE BASIS IN 1975,
AND THE LEVEL OF SELF-SUFFICIENCY IS SLOWLY FALLING AS THE
POPULATION IS INCREASING BY ALMOST 2 1/2 PERCENT ANNUALLY
WHILE AGRICULTURAL PRODUCTION IS RELATIVELY STATIC. CROP
YIELDS IN EGYPT ARE ALREADY AMONG THE HIGHEST IN THE WORLD.
WHILE INCREASES ARE POSSIBLE, THEY WOULD REQUIRE MAJOR
IMPROVEMENTS IN TECHNOLOGY AND WILL BE SLOW IN COMING.
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SMALL BUT SIGNIFICANT LOSSES OF ARABLE LAND OCCUR EACH
YEAR BECAUSE OF URBAN SPRAWL. THEY CAN THEORETICALLY
BE OFFSET BY LAND RECLAMATION BUT THE LATTER IS BOTH
EXPENSIVE AND REQUIRES MUCH AS TEN YEARS BEFORE
YIELDS APPROACH THOSE REALIZED IN THE NILE VALLEY AND
DELTA. THUS, THE AGRICULTURAL BASE IS NOT LIKELY TO

INCREASE SIGNIFICANTLY IN THE COMING YEARS.

EVEN THOUGH INCREASES IN AGRICULTURAL PRODUCTION WILL REQUIRE SOME TIME FOR REALIZATION, AID HAS A NUMBER OF PROJECTS IN VARIOUS STAGES OF IMPLEMENTATION AND DEVELOPMENT WHICH WILL ADDRESS IMPROVEMENTS IN DOMESTIC FOOD PRODUCTION. THESE INCLUDE A PROJECT TO IMPROVE THE MANAGEMENT AND USE OF IRRIGATION WATER, WHICH WILL HAVE AN EFFECT ON ALL CROPS, A PROJECT TO IMPROVE RICE PRODUCTION AND A PROJECT WHICH WILL HAVE A MAJOR COMPONENT DIRECTED TOWARD IMPROVED PRODUCTION AND DISTRIBUTION OF VEGETABLES AND FRUITS. THE LATTER PROJECT WILL BE A TITLE XII ACTIVITY INVOLVING THE UNIVERSITY OF CALIFORNIA WORKING IN COLLABORATION WITH THE MINISTRIES OF AGRICULTURE AND IRRIGATION. ADDITIONAL PROJECTS ARE BEING DEVELOPED, INCLUDING ONE DIRECTED TOWARD INCREASED PRODUCTION OF WHEAT, MAIZE AND PERHAPS GRAIN LEGUMES (PULSES) AS WELL AS OTHER PROJECTS DESIGNED TO INCREASE POULTRY MEAT AND EGG PRODUCTION AND FISH PRODUCTION.

IN ADDITION, SINCE THERE IS EVIDENCE OF SOME NUTRITIONAL DEFICIENCIES, ESPECIALLY AMONG YOUNG CHILDREN AND ESPECIALLY IN UPPER EGYPT, AID IS FUNDING A NUTRITION SURVEY TO BE CONDUCTED BY THE U.S. CENTER FOR DISEASE CONTROL (CDC) AND THE EGYPTIAN MINISTRY OF HEALTH TO DETERMINE THE INCIDENCE AND KINDS OF THESE DEFICIENCIES. IT IS GENERALLY CONSIDERED THAT THOSE PROBLEMS ARE MORE A RESULT OF POOR SELECTION OF EXISTING UNCLASSIFIED

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FOODS AND LACK OF SANITATION THAN LACK OF FOOD PER SE. WE EXPECT THE SURVEY, THE RESULTS OF WHICH SHOULD BE AVAILABLE IN ABOUT TEN MONTHS, TO SHED MORE LIGHT ON THE QUESTION.

THE CURRENT FOOD DEFICIT MUST, OF COURSE, BE MET THROUGH IMPORTS, PARTICULARLY WHEAT AND WHEAT FLOUR. EGYPT IS TODAY THE LARGEST FOOD IMPORTER AMONG THE DEVELOPING COUNTRIES AND ITS IMPORT NEEDS SEEM CERTAIN TO CONTINUE INCREASING FOR THE FORESEEABLE FUTURE. WHILE EGYPT HAS A DRASTIC SHORTAGE OF FOREIGN EXCHANGE, ITS FOOD IMPORT REQUIREMENTS FOR FY-1977 APPEAR TO BE FULLY MET, LARGELY BECAUSE OF MASSIVE FOOD AID FROM THE UNITED STATES. THE TITLE I, PL-480 PROGRAM FOR THE CURRENT YEAR INCLUDES 1.4 MILLION METRIC TONS (MT) OF WHEAT/WHEAT FLOUR (ON A WHEAT EQUIVALENT BASIS), 100,000 MT OF FEEDGRAINS, 2,000 MT OF DRY BEANS, AND 5,000 MT OF TOBACCO, WITH A TOTAL EXPORT MARKET VALUE OF \$197.2 MILLION. IN ADDITION, AID IS PLANNING TO FINANCE 230,000 MT OF FEED- GRAINS (SOME OF THIS MAY BE SWITCHED TO TITLE I),

50,000 MT OF COTTONSEED OIL AND 150,000 MT OF OTHER VEGETABLE OILS, 5,000 MT OF BUTTER OIL, 10,000 MT OF VEGETABLE SHORTENING, AND 5,000 MT OF TOBACCO UNDER ITS COMMODITY IMPORT PROGRAM (CIP) (LOAN-038, WHICH WAS SIGNED RECENTLY). OTHER COMMODITIES, INCLUDING FROZEN BEEF, FROZEN POULTRY AND CHEESE, ARE STILL UNDER CONSIDERATION FOR FINANCING UNDER THAT LOAN. THE TITLE I AND CIP PROGRAMS, PLUS COMMERCIAL PURCHASES TO DATE AND FOOD AID FROM OTHER COUNTRIES (MAINLY CEREALS FROM CANADA AND THE EUROPEAN COMMUNITY), WILL MEET THE GOVERNMENT OF EGYPT'S (GOE) ESTIMATES OF ITS IMPORT REQUIREMENTS, BASED ON THE CURRENT LEVEL OF EFFECTIVE DEMAND, FOR PRACTICALLY ALL COMMODITIES IN FY-1977. THE GOE WOULD LIKE TO HAVE LARGER QUANTITIES OF FROZEN BEEF AND/OR POULTRY THAN HAVE ALREADY BEEN ARRANGED, AND BELIEVES IT STILL NEEDS ADDITIONAL FEEDGRAINS. HOWEVER, WE BELIEVE THE ALLEGED DEFICIT IN FEEDGRAINS RESULTS FROM UNCLASSIFIED

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THE DIFFERENCE IN COMPUTING REQUIREMENTS ON A FISCAL AND CALENDAR YEAR BASIS.

(B) DISTRIBUTION OF TITLE I COMMODITIES AND END USERS: FOOD IMPORTS UNDER THE TITLE I PROGRAM ARE MONITORED BY U.S. PERSONNEL ON ARRIVAL AT EGYPTIAN PORTS AND THEREAFTER UNTIL DELIVERY IS MADE TO THE MINISTRY OF SUPPLY. THE MINISTRY SUBSEQUENTLY SENDS REPORTS TO THE U.S. MISSION SHOWING DISTRIBUTION OF THE TITLE I COMMODITIES.

WHEAT: WHEAT IS PURCHASED BY THE GENERAL AUTHORITY FOR SUPPLY COMMODITIES (PURCHASING ENTITY FOR THE MINISTRY OF SUPPLY) AT WORLD PRICES AND RESOLD TO FLOUR MILLS AT A SUBSTANTIALLY LOWER FIXED PRICE. AT THE PRESENT TIME, THE AUTHORITY ESTIMATES THAT ITS TOTAL COST FOR WHEAT, INCLUDING STORAGE AND HANDLING COSTS, IS ABOUT LE.100 PER MT, AND THE FIXED RESALE PRICE IS LE.30 PER MT. THE RESALE PRICE IS INTENDED TO ALLOW THE MILLS TO SELL FLOUR AT A FIXED PRICE, WHICH IN TURN PERMITS THE BAKERIES TO PRODUCE AND SELL A LOF OF BALADI BEAD WEIGHING 135 GRAMS FOR ONE HALF PIASTER, OR APPROXIMATELY 2.4 U.S. CENTS PER POUND* BALADI BREAD, THE EGYPTIAN FORM OF DOUBLE CRUSTED HOLLOW ARABIC BREAD, IS THE STAPLE FOOD IN THE EGYPTIAN DIET. THE FIXED PRICE SYSTEM IS INTENDED TO ALLOW A REASONABLE PROFIT FOR THE MILLERS AND BAKERS, BUT BOTH SECTORS CLAIM THEY ARE UNDERPAID FOR THE EFFORTS.

IT SHOULD BE NOTED THAT RURAL AREAS OF EGYPT ARE LARGELY SELF-SUFFICIENT IN FOOD PRODUCTION, INCLUDING WHEAT AND BREAD, AND THAT VERY LITTLE DOMESTIC WHEAT ENTERS THE URBAN FOOD SUPPLY. THE MINISTRY OF SUPPLY USUALLY ACQUIRES ONLY ABOUT 200,000 MT OF WHEAT FROM DOMESTIC

SOURCES. ON THE OTHER HAND, AROUND 90 PERCENT OF THE BREAD CONSUMED IN EGYPT'S CITIES AND LARGE TOWNS IS PRODUCED FROM IMPORTED WHEAT AND FLOUR, WHICH WILL TOTAL MORE THAN 4 MILLION TONS IN FY-1977. THUS, THE END USERS OF TITLE I WHEAT AND FLOUR ARE LARGELY THE URBAN UNCLASSIFIED

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POPULATION OF EGYPT, APPROXIMATELY HALF OF THE 38-40 MILLION PEOPLE IN THE COUNTRY.

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01

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FLOUR: TITLE I FLOUR IS ALSO PURCHASED BY THE AUTHORITY AT WORLD PRICES AND RESOLD TO URBAN BAKERIES AT A MUCH LOWER FIXED PRICE (7 AND ONE HALF PIASTERS PER KILOGRAM, OR ABOUT 4.8 U.S. CENTS PER POUND). THE BAKERIES ARE SUPPOSED TO USE 75 PERCENT OF THE FLOUR TO PRODUCE AND SELL WESTERN-STYLE AND SHAMI BREAD AT FIXED PRICES (SHAMI IS A SYRIAN VERSION OF ARABIC BREAD SELLING FOR 1 PIASTER PER LOAF), AND THE BALANCE FOR CAKES, PASTRIES, ETC. SINCE THE LATTER PRODUCTS ARE NOT SUBJECT TO PRICE CONTROLS, THERE IS A GREAT TEMPTATION FOR BAKERIES TO USE MORE THAN 25 PERCENT OF IMPORTED FLOUR TO PRODUCE THEM AND THE MINISTRY OF SUPPLY HAS DIFFICULTY IN POLICING THE SYSTEM. IMPORTED FLOUR IS NOT GENERALLY USED TO PRODUCE BALADI

BREAD BECAUSE IT IS OF A HIGHER QUALITY THAN NEEDED FOR THAT USE (73 PERCENT EXTRACTION RATE FOR TITLE I FLOUR COMPARED WITH OVER 90 PERCENT FOR LOCALLY MILLED FLOUR). SINCE THE POOR PEOPLE IN EGYPTIAN URBAN CENTERS CANNOT AFFORD THE HIGHER PRICES FOR WESTERN AND SHAMI BREAD, CAKES, PASTRIES, ETC., THE END USERS OF TITLE I FLOUR TEND TO BE THE MIDDLE AND UPPER CLASSES OF EGYPTIANS IN URBAN CENTERS, PLUS THE FOREIGN UNCLASSIFIED

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COMMUNITY AND TOURIST TRADE. FEEDGRAINS: FEEDGRAINS ARE ALSO PURCHASED BY THE AUTHORITY AT WORLD PRICES AND SOLD AT A MUCH LOWER FIXED PRICE. NO DISTINCTION IS MADE BETWEEN FEEDGRAINS OBTAINED UNDER TITLE I AND THAT FROM OTHER SOURCES.

BETWEEN 200,000 AND 250,000 MT ARE ALLOCATED TO THE MINISTRY OF AGRICULTURE FOR USE AS ANIMAL FEED, ABOUT 60,000 MT ARE ALLOCATED FOR THE PRODUCTION OF STARCH, AND THE BALANCE IS SOLD ON THE OPEN MARKET AT THE SUBSIDIZED PRICE FOR EITHER FOOD OR FEED USE. THUS, THE GENERAL POPULATION OF EGYPT IS THE END USER OF TITLE I FEEDGRAINS, EITHER DIRECTLY AS FOOD OR INDIRECTLY IN THE FORM OF SECONDARY PRODUCTS (STARCH, MEAT, EGGS, ETC.)

DRY BEANS: THIS COMMODITY HAS NOT PREVIOUSLY BEEN INCLUDED IN TITLE I PROGRAMS IN EGYPT AND THE AUTHORITY HAS NOT YET MADE DEFINITE PLANS FOR ITS DISPOSITION. HOWEVER, IT WILL BE SOLD ON THE OPEN MARKET AT A SUBSIDIZED PRICE, MAKING THE URBAN POPULATION OF EGYPT THE END USER. TOBACCO: SINCE TOBACCO IS NOT A FOOD COMMODITY, ITS DISTRIBUTION CHANNELS ARE NOT INCLUDED IN THIS REPORT.

(C) THE TITLE II PROGRAM IN EGYPT: THE TITLE II PROGRAM IN EGYPT IS CARRIED OUT BY AMERICAN VOLUNTARY AGENCIES, CARE AND CATHOLIC RELIEF SERVICES (CRS). THE TITLE II PROGRAM DOES NOT ATTEMPT TO ADDRESS THE OVERALL FOOD SITUATION. INSTEAD ITS AIM IS TO REACH SELECTED VULNERABLE GROUPS OF PEOPLE OR TO PROVIDE INCENTIVES FOR CERTAIN KINDS OF SELF-HELP ACTIVITIES. CRS DISTRIBUTES TITLE II FOOD TO PRE-SCHOOL CHILDREN AND PREGNANT AND LACTATING MOTHERS IN GOVERNMENT MATERNAL CHILD HEALTH (MCH) CLINICS, TO CHILDREN IN ORPHANAGES AND OTHER CHILD CARE CENTERS, TO RURAL PRIMARY SCHOOL CHILDREN AND AS AN INCENTIVE TO FAMILIES IN AN UNCLASSIFIED

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ALEXANDRIA SLUM TO UNDERTAKE CLEAN UP ACTIVITIES. CARE IS PROVIDING TITLE II FOOD AS AN INCENTIVE TO WOMEN TO REGULARLY ATTEND FAMILY PLANNING CLINICS.

FOR FY-1977, 42,400 MT OF FOOD, CONSISTING OF 20,300 MT OF BLENDED FOODS (CSM AND OR WSB), 13,000 MT OF FLOUR, 6,800 MT OF BULGUR AND 2,300 MT OF VEGETABLE OILS HAVE BEEN PROGRAMMED. IN ADDITION, 600 MT OF NON-FAT DRY MILK POWDER (NFDM) HAVE BEEN PROVIDED TO CRS AS A ONE-TIME "ADD-ON" TO BE USED PRIMARILY FOR PRE-SCHOOL CHILDREN. ORIGINALLY PROGRAMMED RECIPIENTS TOTAL 1,315,000 AS FOLLOWS: CARE, 200,000; CRS, MCH 418,000; OTHER CHILD FEEDING, 25,000; AND SCHOOL FEEDING, 672,000.

THE CRS PROGRAM FOR CLUM FAMILIES, WHICH IS JUST BEGINNING, IS EXPECTED TO REACH 2,500 FAMILIES INITIALLY.

IN ADDITION TO THE BILATERAL TITLE II PROGRAM DESCRIBED ABOVE, THERE ARE TITLE II INPUTS TO THE WORLD FOOD PROGRAM (WFP) IN EGYPT. WFP ACTIVITIES TO WHICH TITLE II COMMODITIES ARE DONATED INCLUDE LAND RECLAMATION, TITLE DRAINAGE, AGRICULTURAL DEVELOPMENT AND PRESERVATION OF THE PHILAE MONUMENTS (ALL OF WHICH ARE FOOD FOR WORK PROJECTS), AND SECONDARY SCHOOL FEEDING. TOTAL TITLE II COMMODITIES APPROVED FOR THESE PROJECTS, ALL OF WHICH ARE ON A MULTI-YEAR BASIS OR THE TITLE II INPUT VARIES FROM YEAR TO YEAR, ARE 64,800 MT, BROKEN DOWN AS FOLLOWS: FLOUR, 59,100 MT; VEGETABLE OIL, 5,000 .5; AND NFDM, 700 MT.

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